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CHARTERED
May 24, 1996

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VIA HAND DELIVERY

Mr. William F. Caton Acting Secretary Federal Communications Commission 1919 M Street, NW, Room 222 Washington, DC 20554 MAY 2 4 1995

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY

Re: Policy and Rules Concerning the Interstate, Interexchange Marketplace

(CC Docket 96-61)

Dear Mr. Caton:

Transmitted herewith on behalf of Eastern Telephone Systems, Inc. d/b/a Eastern Tel Long Distance, Inc., are an original and eleven (11) copies of its Reply Comments in the above-captioned proceeding.

Also enclosed is an extra copy of this letter and Reply Comments. Please date-stamp the extra copy and return it to me in the envelope provided.

If there are any questions concerning this matter, please contact me.

Very truly yours

Morton J. Posner

Enclosures

cc (w/o encl.): Andrew D. Lipman, Esq.

cc (w/encl.): Janice Myles (1 copy and 1 diskette by hand)

ITS (1 copy by hand)

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Sharon Dalzell-Straw

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Before the FEDERAL COMMUNICATIONS COMMISSION Washington, D.C. 20554

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF RECRETARY

In the Matter of)	
)	
Policy and Rules Concerning the)	CC Docket No. 96-61
Interstate, Interexchange Marketplace)	

REPLY COMMENTS OF EASTERN TELEPHONE SYSTEMS, INC. d/b/a EASTERN TEL LONG DISTANCE, INC.

Dana Frix Morton J. Posner Swidler & Berlin, Chartered 3000 K Street, N.W., Suite 300 Washington, D.C. 20007 (202) 424-7500 (Tel.) (202) 424-7645 (Fax)

Dated: May 24, 1996

SUMMARY

Eastern Telephone Systems, Inc. d/b/a Eastern Tel Long Distance, Inc., a regional interexchange carrier, opposes the Commission's mandatory detariffing proposal, which endangers small carriers, is not favored by the industry, violates the Telecommunications Act of 1996 and does not remedy anticompetitive concerns. The interexchange industry favors a permissive tariffing policy which would offer carriers the efficiencies of tariffs with the ability to maintain contractual relationships with customers.

Before the FEDERAL COMMUNICATIONS COMMISSION Washington, D.C. 20554

In the Matter of)	
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Policy and Rules Concerning the)	CC Docket No. 96-61
Interstate, Interexchange Marketplace)	

REPLY COMMENTS OF EASTERN TELEPHONE SYSTEMS, INC. d/b/a EASTERN TEL LONG DISTANCE, INC.

Eastern Telephone Systems, Inc. d/b/a Eastern Tel Long Distance, Inc. ("Eastern Tel"), by its undersigned counsel, hereby submits its reply comments in Phase II of the above-captioned proceeding relating to tariff forbearance of non-dominant interexchange carriers ("IXCs"). In an effort to enhance competition in the interexchange market, the Commission proposes to eliminate tariffs, which serve as necessary means of contracting with millions of interexchange customers. The Commission's legal basis for forbearance is flawed and unsupported in the initial comment round. As the comments show, a permissive tariffing policy of voluntary compliance with tariff filing requirements is favored by the telecommunications industry and squarely in the public interest.

- I. THE COMMISSION'S MANDATORY DETARIFFING POLICY ENDANGERS SMALL INTEREXCHANGE CARRIERS AND IS NOT FAVORED BY THE INDUSTRY.
 - A. If Mandatory Detariffing Is Imposed, Small Interexchange Carriers Likely Will Be Unable to Collect from Some Customers

Eastern Tel, a regional IXC serving customers in several eastern states, including Pennsylvania and New York, opposes the Commission's mandatory detariffing policy. Tariffs are virtually the only means by which IXCs can establish a set of contract terms with literally

millions of smaller business and residential customers for long distance service. If the Commission ordered IXCs to withdraw their tariffs, carriers without individual service contracts with customers would have no contractual provisions in place to govern collections. Carriers immediately would face the considerable expense of initiating contract — and collection — negotiations with each individual customer. With the contract relationship of the tariff removed, carriers likely would face insurmountable difficulties in collecting from recalcitrant customers. These logical results of the mandatory detariffing proposal fly in the face of the Commission's otherwise laudable goal of enhancing interexchange competition.

B. Permissive Tariffing Protects Carriers While Increasing Their Efficiency

Only one major interexchange carrier, MCI. supported mandatory detariffing, but only for negotiated service contracts. This view was shared by several large telecommunications customers. Eastern Tel agrees with those customers that negotiated service contracts may obviate the need for full blown tariff filings. Nevertheless, there is or can be significant benefit to retaining the ability to file tariffs with some provisions applying to these customers. For example, payment procedures and customer and carrier liability provisions are relatively standard for all customers. A Commission policy of mandatory detariffing for all interexchange service will prevent carriers from capturing the efficiency of placing such provisions in a tariff. A permissive tariffing policy, however, will enable carriers to tailor contractual relationships to customer and carrier needs. IXCs would gain the efficiencies tariffs

Comments of Eastern Telephone Systems, Inc. at 5.

See, e.g., Comments of Ad Hoc Telecommunications Users Committee, et al., at 2-11; Capital Cities/ABC, Inc., et al., at 3-5.

offer to all its customer-carrier relationships without the burden of compliance with all current tariffing requirements.

II. THE COMMISSION'S LEGAL AND FACTUAL BASIS FOR MANDATORY FORBEARANCE IS FLAWED.

A. Mandatory Detariffing Violates the 1996 Act

One state public service commission indicated that the proposed mandatory forbearance policy would preempt enforcement of state tariff rules for intrastate interexchange service. The permissive tariffing policy supported by Eastern Tel adequately responds to this concern. By retaining tariff rules and allowing voluntary compliance, the Commission will encourage efficient use of tariffs while preserving the states' prerogative to regulate intrastate telecommunications service. Under the language of the Telecommunications Act 1996 ("1996 Act"), mandatory federal detariffing necessarily causes mandatory state detariffing. The legislative history of the 1996 Act states that the Commission's forbearance authority "is not intended to limit or preempt State enforcement of State statutes and regulations." Since state regulation depends, in part, on federal regulation, mandatory tariff forbearance for all non-dominant IXCs would violate the 1996 Act.

Comments of Louisiana Public Service Commission at 3. Section 10(e) of the Communications Act, 47 U.S.C. § 160(e), would prohibit state enforcement of regulations forborne by the Commission.

⁴ H.R. Conf. Rep. No. 104-458, 104th Cong., 2d Sess. 185 (1996).

B. There Is No Relevant Precedent For Mandatory Detariffing Under the Language of the 1996 Act

The Commission incorrectly cited mandatory detariffing of commercial mobile radio service ("CMRS") as precedent for similar treatment of non-dominant IXCs. While Congress has conferred on the Commission similar forbearance authority in relation to the two telecommunications services. If they are entirely distinguishable. CMRS is mainly a luxury and business service market which does not yet substitute for wireline service. These customers sign service contracts of limited duration before service ever begins. By contrast, IXCs and resellers daily provide service to "casual" customers who are essentially strangers to the carriers until they initiate service. There are no casual consumers of CMRS. Mandatory detariffing would not only confuse initiation of customer contractual relationships, but would undermine an entire telecommunications industry whose purpose is to inject competition into the long distance market. As Eastern Tel discussed in its comments, the Commission has no authority to prohibit voluntary compliance with tariff filing requirements.

Notice of Proposed Rulemaking ("NPRM"), CC Docket 96-61, at ¶ 28, 35.

Comments of Consumer Federation of America and Consumers Union at 4 n.8.

^{2/2} Comments of Casual Calling Coalition at 9-10.

⁸ Comments of Eastern Telephone Systems, Inc. at 2-3.

C. Mandatory Detariffing Will Not Significantly Prevent Price Coordination

Contrary to the Commission's tentative conclusion on the subject, mandatory detariffing will not significantly prevent price coordination among IXCs. BellSouth submitted a body of economic evidence demonstrating that there is no meaningful price competition among the three largest IXCs. According to BellSouth, complete forbearance from tariff filing requirements will prevent some opportunities for price coordination but not eliminate them. 11/

The public interest would not be served by eliminating tariffs simply to obstruct opportunities for AT&T, MCI, and Sprint to coordinate prices. Pricing information frequently is disseminated outside the regulatory arena. Some carriers share pricing information simply by providing courtesy copies of rate information to competitors. This will occur regardless of the Commission's tariffing policies. Some carriers advertise price and service changes in advance. Still other carriers maintain research staffs to obtain price information directly from competitors and competitors' customers. None of these practices will be affected by a mandatory detariffing policy.

 $^{^{9&#}x27;}$ NPRM at ¶ 30.

The Bell Operating Companies, potential future long distance carriers, are not squarely covered by the Commission's forbearance proposal. Those BOCs favoring forbearance insist that it be available to them when they provide interexchange service.

See Comments of BellSouth at ii.

Comments of Pennsylvania Public Utility Commission at 9 n.2.

111. **CONCLUSION**

The Commission's mandatory forbearance policy violates the 1996 Act and does not

adequately address the underlying concerns the Commission raised in proposing the policy.

Consistent with the wishes of the interexchange industry, the Commission should institute a

permissive tariffing policy. Without permissive tariffing, IXCs face serious problems in

contracting with — and collecting from — customers.

Respectfully, submitted,

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Counsel for Eastern Telephone Systems, Inc.

d/b/a Eastern Tel Long Distance, Inc.

Dated: May 24, 1996

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CERTIFICATE OF SERVICE

I hereby certify that on this 24th day of May 1996, copies of the foregoing REPLY COMMENTS OF EASTERN TELEPHONE SYSTEMS, INC. d/b/a EASTERN TEL LONG DISTANCE, INC., CC Docket No. 96-61, were sent via Messenger** or via First-Class Mail, U.S. postage prepaid, to the parties on the attached service list.

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